

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 2618-01
BILL NO.: SB 594
SUBJECT: Tobacco Settlement
TYPE: Original
DATE: January 13, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Tobacco Settlement Endowment	(\$143,200,000)	(\$172,000,000)	(\$173,500,000)
Total Estimated Net Effect on <u>All</u> State Funds	(\$143,200,000)	(\$172,000,000)	(\$173,500,000)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses
This fiscal note contains 4 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials of the **Attorney General**, the **Department of Social Services**, the **Missouri State Highway Patrol** and the **Missouri Consolidated Health Care Plan** stated that the proposal would not directly affect the agencies or that additional duties could be absorbed within current resources.

Officials of the **Department of Elementary and Secondary Education**, the **Department of Mental Health (DMH)**, the **Department of Health**, the **Department of Public Safety**, the **House of Representatives**, the **Senate** provided estimates of their expenses due to the interagency administrative body. **Oversight** notes that three percent (3%) of tobacco settlement monies could be used for administrative costs and, therefore, assumes no net administrative costs due to this proposal.

Officials of the DMH provided updated estimates of the amounts which might be derived from the tobacco settlement. They estimated payments of \$4,800,000,000 over twenty five years if there are no negative adjustments. FY 00: \$57 million initial payment and \$83.3 million annual payment = \$134 million; FY 01: \$50.7 million initial payment and \$92.5 million annual payment = \$143.2 million; FY 02: \$51 million initial payment and \$121 million annual payment = \$172 million; FY 03: \$51.5 million initial payment and \$122 million annual payment = \$173.5 million; FY 04 and subsequent years: \$151.6 million, to be adjusted for inflation, 3% minimum. DMH officials also noted that DMH programs would be eligible for up to 59% of moneys based on the general expenditure categories listed in the proposal.

Oversight assumes, for purposes of the fiscal note that:

- 1) no moneys would come to the state treasury as a result of this proposal;
- 2) this proposal specifies how moneys received as part of a tobacco settlement would be spent; and,
- 3) moneys distributed to the Tobacco Settlement Endowment Fund would be spent in the year received and that only earnings on those funds would not be spent until at least ten years after the Fund was established.

<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
TOBACCO SETTLEMENT ENDOWMENT FUND			
<u>Costs - Disbursements per law</u>	(\$143,200,000)	(\$172,000,000)	(\$173,500,000)
ESTIMATED NET EFFECT ON TOBACCO SETTLEMENT ENDOWMENT FUND	<u>(\$143,200,000)</u>	<u>(\$172,000,000)</u>	<u>(\$173,500,000)</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
	\$0	\$0	\$0

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This proposal would make arrangements for use of funds received as result of the recent settlement among States and tobacco companies. It would:

- 1) establish a "Tobacco Settlement Fund Commission" which would develop strategies for using settlement funds, approve programs for use of those funds, prepare an annual report on uses of settlement funds, and disburse settlement funds according to terms of the proposal;
- 2) require the departments of Health, Mental Health, Social Services, Elementary and Secondary Education and Public Safety to establish an interagency administrative body to implement programs approved by the Commission;
- 3) establish a schedule for disbursement of tobacco settlement moneys; and
- 4) establish a "Tobacco Settlement Endowment Fund" which would receive all settlement moneys and, after ten years, its earnings would fund the interagency administrative body and continuation of tobacco settlement programs.

DESCRIPTION (continued)

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This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space. The proposal would not affect Total State Revenues.

SOURCES OF INFORMATION

Attorney General
Department of Elementary and Secondary Education
Department of Mental Health
Department of Health
Department of Public Safety
Administration
Highway Patrol
Department of Social Services
Governor
House of Representatives
Senate
Missouri Consolidated Health Care Plan



Jeanne Jarrett, CPA
Director
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